

**BREMERTON-KITSAP COUNTY HEALTH DISTRICT**  
**Kitsap County, Washington**  
**January 1, 1990 Through December 31, 1991**

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**Schedule Of Findings**

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1. Cash Receipt Controls Should Be Improved

The following weaknesses were noted in the district's cash receipting system:

- a. Cash receipts were not deposited intact. Employees were allowed to cash personal checks from bank deposits.
- b. Deposits were not made daily. Cash receipts from the Poulsbo office were sent to the main office only once a week.
- c. Receipt forms were not sent to the main office with the cash receipts transmitted from certain outlying offices. As a result, the main office could not test the composition of these payments.
- d. The composition of bank deposits was not reconciled with the cash receipt forms issued.
- e. Cash register voids were not explained, initialed by the employee who made them, or reviewed by another employee or supervisor.
- f. Cash receipts from the outlying family planning clinics, some vaccination clinics, and ferry tickets, were not placed in the cash registers when recorded. Instead, these funds were held overnight in the accounting office.
- g. Mode of payment was not indicated on the Well Child Clinic statement of services form.

The Washington State Constitution, Article XI, Section 16, states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

In addition, RCW 43.09.200 states in part:

. . . The system shall exhibit true accounts and detailed statements of funds collected, received . . . for account of the public for any purpose whatever, and by all public officers, employees, or other persons . . .

The accounts shall show the receipt . . . and the income . . . and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction. . . (Emphasis ours.)

By not maintaining proper internal controls, the district increased its risk that errors and omissions could occur and not be detected in a timely manner.

Although the cashing of employees' checks was mentioned in our previous audit, this issue remained unresolved because of an apparent misunderstanding of this recommendation. Management was unaware of the remaining internal control weaknesses.

We recommend the district:

- a. Deposit cash receipts intact. Employee checks should not be cashed anywhere in the cash receipts cycle.
- b. Transmit Poulsbo office cash receipts to the main office in a more timely manner.
- c. Reconcile the composition of all receipts and deposits.
- d. Adequately explain all cash register voids and verify them by using a second party approval system.
- e. Place all receipted funds in the cash register immediately upon receipt.
- f. Indicate the mode of payment on Well Child Clinic statement of services forms at the time of receipt.

2. Accounts Receivable Systems Should Have Control Accounts

Control accounts were not maintained for eight of the district's accounts receivable systems.

By not properly maintaining control accounts for all accounts receivable systems, the district increased its risk that errors and omissions could occur and not be detected in a timely manner.

This internal control weakness was noted in a prior audit. Management felt that new accounts receivable software combined with additional manual procedures had resolved this weakness.

We recommend the district maintain control accounts for all accounts receivable systems.

3. The District Should Segregate The Duties For Accounts Receivable And Cash Receipting

There was a lack of segregation of duties in the accounts receivable and cash receipting functions. The same person performed all of the following duties:

- a. Prepared invoice billings and posted all transactions for several accounts receivable systems.
- b. Prepared bank deposits and transported them to the bank.
- c. Cashed personal checks.
- d. Received and reconciled funds from outlying office locations.
- e. Reconciled cash register receipts prior to deposit.
- f. Posted cash receipts to accounts receivable subsidiary ledgers.

By allowing one person to perform all of the accounts receivable and cash receipting functions, the district increased its risk that errors and omissions could occur and not be detected in a timely manner.

Our prior audit experience showed management was committed to a proper segregation of duties. The above condition resulted from an increase in the accounts receivable workload combined with management's efforts to segregate other duties.

We recommend the district segregate the duties for accounts receivable and cash receipting.